

Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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R 102105Z APR 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8243

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

USMISSION EC BRUSSELS

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EXDIS

E.O. 11652: GDS

TAGS: ETRD, GATT, EC, FR

SUBJECT: ARTICLE XXIV:6 NEGOTIATIONS

REF: PARIS 8158 AND PARIS 1566

SUMMARY: ECON/COM MIN HELD LONG CONVERSATION WITH DREE DIRECTOR DE MOREL ON ARTICLE 24:6. FRENCH OFFICIAL EXPRESSED VIEW IT SHOULD BE POSSIBLE TO REACH AGREEMENT ON BASIS OF LATEST U.S. OFFER. FORMULA ON GRAINS WAS GENERALLY ACCEPTABLE TO THE FRENCH, PROVIDED LANGUAGE EXPRESSING EC RESERVATION WAS TIGHTENED. GENERAL FEELING IN EC, ACCORDING TO DE MOREL, WAS THAT U.S. WOULD NOT RETALIATE ON GRAINS WHILE MTN IN PROGRESS AND THAT EXPLICIT GUARANTEE TO THIS EFFECT NOT NEEDED. IN NON-CEREAL CATEGORY, KRAFT LINER BOARD AND ORANGES STILL PRESENT PROBLEMS FOR THE FRENCH. RE SUBSIDIARY TRADE

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PROBLEMS, DE MOREL GAVE FURTHER DETAILS ON FRENCH

INTEREST IN SETTLING OF "CHICKEN WAR" WHICH HAD RESULTED IN RETALIATORY DUTY INCREASES ON FRENCH COGNAC. DE MOREL REITERATED GOF ADHERENCE TO ITS DECISION TO PARTICIPATE IN MTN DESPITE ENERGY SITUATION; HOWEVER, FRENCH OBJECTIVES, IN GOF VIEW, SHOULD BE "REALISTIC AND LIMITED." END SUMMARY.

1. DURING A LONG CONVERSATION WITH ECON/COM MIN, DE MOREL DESCRIBED CURRENT GOF THINKING ON THE ARTICLE 24:6 PROBLEM AND SAID HE THOUGHT IT SHOULD BE POSSIBLE TO ARRIVE AT AN AGREEMENT ON THE BASIS OF THE LATEST U.S. PROPOSALS. HE SAID THE FORMULA ON GRAINS WAS GENERALLY ACCEPTABLE TO THE FRENCH, PROVIDED THERE COULD BE SOME TIGHTENING OF THE LANGUAGE SETTING FORTH THE RESERVATION OF THE EC. HE SAID THE QUESTION HAD BEEN RAISED IN THE COMMUNITY WHETHER OR NOT THE U.S. SHOULD BE ASKED TO COMMIT ITSELF NOT TO RETALIATE ON GRAINS FOR THE DURATION OF THE MTN. HOWEVER, THE GENERAL FEELING, WHICH HE SHARED, WAS THAT THIS WAS NEITHER NECESSARY NOR DESIRABLE SINCE THERE WOULD BE NO MOTIVE FOR THE U.S. TO RETALIATE AS LONG AS THE MTN WAS IN PROGRESS AND THE NATURE OF THE FINAL AGREEMENT ON GRAINS WAS NOT KNOWN.

2. AS FOR NON-CEREAL ITEMS, DE MOREL SAID THAT THE MAIN FRENCH PROBLEMS WERE WITH KRAFT LINER BOARD AND ORANGES (THE LATTER BECAUSE OF THE INTERESTS OF THE ASSOCIATED STATES). HE SPECIFICALLY MENTIONED UNEXPOSED FILM, TRUCKS, AND THE HEAVIER TYPES OF EXCAVATING EQUIPMENT AS NOT CAUSING THE FRENCH SERIOUS PROBLEMS. (IN THE LIGHTER CATEGORIES, THERE WERE SEVERAL FRENCH FIRMS WHOSE INTERESTS HAD TO BE PROTECTED.) DE MOREL DID NOT INDICATE WHETHER THERE WAS ANY FURTHER GIVE IN THE FRENCH POSITION ON LINER BOARD, BUT HE THOUGHT IT SHOULD BE POSSIBLE TO GIVE A LITTLE MORE GROUND ON ORANGES. (ALTHOUGH HE WAS NOT SPECIFIC, WE DO NOT HAVE THE IMPRESSION THAT THE GOF WOULD BE PREPARED TO GO AS FAR AS WE WANT.)

3. DE MOREL SAID THERE WAS ALSO A QUESTION AS TO WHETHER

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OR NOT, ASSUMING THE EC REACHED AN AGREEMENT WITH THE U.S. ON ARTICLE 24:6, THE AGREEMENT WOULD BE SIGNED BY THE TWO PARTIES. THE FRENCH PREFERENCE WAS THAT THE AGREEMENT BE SIGNED WITH THE RESERVATION ON GRAINS SPELLED OUT.

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FM AMEMBASSY PARIS

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4. DE MOREL ALSO GAVE FURTHER DETAILS ON THE FRENCH PROPOSAL ON THE "CHICKEN WAR" (PARIS 8158). HE SAID THE GOF BELIEVED THAT, SINCE WE WERE TRYING TO WIPE THE SLATE CLEAN OF SUBSIDIARY TRADE PROBLEMS IN ADVANCE OF THE MTN, IT MADE SENSE TO CLEAR UP THE "CHICKEN WAR" PROBLEM. HE SAID THE IMPETUS FOR THIS HAD COME FROM THE FRENCH COGNAC INTERESTS, WHO FOUND THAT THEIR SALES TO IN PRICES. THESE INTERESTS HAD ASKED THE GOVERNMENT'S HELP IN GETTING THE RETALIATORY DUTY INCREASES RESCINDED IN ORDER TO HELP OFFSET THE PRICE INCREASES. THE PROBLEM HAD BEEN TAKEN UP PERSONALLY BY JOBERT WITH POMPIDOU AND THE DECISION TO ASK THE EC TO RAISE THIS QUESTION WITH THE U.S. WAS ONE OF THE LAST THAT THE PRESIDENT HAD MADE.

5. ECON/COM MIN ASKED WHETHER THE GOF WAS INSISTING ON SETTLEMENT OF THIS PROBLEM AS A QUID PRO QUO FOR AGREEMENT

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ING TO A DEAL ON ARTICLE 24:6. DE MOREL REPLIED THAT THE FRENCH DID NOT WISH TO PUT IT IN SUCH CATEGORICAL TERMS. THE FRENCH VIEW WAS THAT, SINCE THERE SEEMED TO BE AN INTEREST ON OUR PART IN CLEARING UP OUTSTANDING TRADE DIFFERENCES, IT WAS ONLY LOGICAL TO TRY TO GET RID OF THIS ONE AS WELL. ECON/COM MIN REMINDED DE MOREL THAT INCREASE IN COGNAC DUTIES HAD BEEN APPLIED IN RETALIATION FOR RESTRICTION ON IMPORTS OF CHICKEN PARTS FROM U.S. INTO THE EC. IT WOULD BE NATURAL TO ASSUME THAT WE WOULD WANT THE ACTION WHICH LED TO THE RETALIATION RESCINDED BEFORE THE RETALIATION WAS RESCINDED. DE MOREL SAID HE WAS NOT VERY FAMILIAR WITH THE DETAILS OF THE CASE BUT HE WONDERED WHETHER THE COMMUNITY'S RESTRICTION ON CHICKEN PARTS WAS STILL A PROBLEM FOR US. ECON/COM MIN REPLIED THAT THIS WAS SOMETHING WASHINGTON AGENCIES WERE PRESUMABLY LOOKING AT BUT REPEATED THAT, IF IT WAS STILL A PROBLEM, THEN ANY SETTLEMENT WOULD HAVE TO TAKE ACCOUNT OF THE INTERESTS OF BOTH PARTIES. DE MOREL SAID THAT POSSIBLY ALL IT WOULD TAKE TO SATISFY THE FRENCH COGNAC INTERESTS WAS SOME REDUCTION OF THE RETALIATORY DUTY INCREASE TO TAKE ACCOUNT OF SUBSEQUENT PRICE INCREASES, THUS RESTORING THE EFFECTIVE SITUATION TO THE STATUS QUO ANTE. HE SAID THIS WAS A POINT HE WOULD HAVE TO CHECK WITH HIS EXPERTS.

6. ECON/COM MIN ASKED WHETHER THE GOF HAD COME TO ANY CONCLUSIONS IN ITS CONSIDERATION OF THE QUESTION OF WHETHER, IN VIEW OF THE SITUATION CREATED BY THE ENERGY CRISIS, IT WAS STILL IN FRANCE'S INTEREST TO PARTICIPATE IN THE TRADE NEGOTIATIONS (PARIS 1566). HE REPLIED THAT THIS QUESTION HAD GONE TO GISCARD FOR A DECISION AND THAT GISCARD HAD DECIDED THAT THE GOF SHOULD ADHERE TO ITS DECISION TO PARTICIPATE IN THE TRADE NEGOTIATIONS BUT THAT FRENCH OBJECTIVES IN THE TRADE NEGOTIATIONS SHOULD BE "REALISTIC AND LIMITED." WHEN ASKED WHAT HE MEANT BY "LIMITED" DE MOREL REPLIED, "WE SHOULD NOT BE TOO AMBITIOUS IN OUR TARIFF CUTTING OBJECTIVES." AMPLIFYING, HE SAID THAT IN A PERIOD OF FLOATING EXCHANGE RATES AND GENERAL UNCERTAINTY IN THE MONETARY SYSTEM BECAUSE OF THE UNSETTLING EFFECT OF THE ENERGY CRISIS, IT WOULD BE DIFFICULT FOR A COUNTRY TO COMMIT ITSELF TO AN UNDULY

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LARGE REDUCTION OF TARIFFS, GIVEN THE POSSIBILITY THAT A SIGNIFICANT SHIFT IN EXCHANGE RATES COULD GIVE PARTICULAR COUNTRIES A SIGNIFICANT COMPETITIVE ADVANTAGE. ON

THE OTHER HAND, TO PULL OUT OF THE TRADE NEGOTIATIONS
WOULD BE EVEN WORSE SINCE THIS WOULD STRENGTHEN THE
FORCES OF PROTECTIONISM IN THE WORLD.

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